Cape Cod Renewable Fuels Partnership
c/o Clay Schofield
Cape Cod Commission
P.O. Box 226
Barnstable, MA 02630

January 30, 2008

To: Mr. Steven Clark
Massachusetts Executive Office of Energy and Environmental Affairs
100 Cambridge Street
Boston, MA 02114

RE: MA Advanced Biofuels Task Force Report Recommendations

Mr. Clark:

We would like to express our appreciation to you and all of the members of the Advanced Biofuels Task Force for your continued work on this important matter. We also appreciate the opportunity to participate in the development of policy recommendations.

As members of the Cape Cod Renewable Fuels Partnership (CCRFP), we represent a diverse public/private constituency interested in exploring sensible and realistic ways in which we can use alternative fuels to address our energy needs. The benefits of establishing a renewable energy industry and market in Massachusetts are considerable. Policymakers at the state level can serve as a catalyst by providing the biofuels industry incentives to invest in Massachusetts, promoting environmentally sustainable outcomes.

The Commonwealth's biotech industry could have an essential role to play in not only local fuel production, but possibly national and international global warming policy. It is essential from a global warming, national security, environmental policy and economic development point of view that the Commonwealth strongly supports initiatives in this area.

The following are a series of what we believe to be 'sensible and realistic' recommendations for the Task Force's final report that will advance the state's efforts to diversify our fuel mix. We would encourage the Task Force to also examine policies and programs in other states to identify how we can attract alternative fuel businesses and infrastructure to Massachusetts.

Fuel Corridor Incentives

Massachusetts should encourage gasoline stations to install a renewable fuel pump through tax credits and/or infrastructure loans or subsidies. The Cape Cod Renewable Fuels Partnership is extremely interested in helping to establish alternative fuel options

on Cape Cod. The large number of visitors from around the country provides the Cape with an ideal opportunity to showcase biofuels and to show that Massachusetts is leading by example. The Partnership would welcome the opportunity to work with stakeholders, including the state, to identify locations, funding sources and other options for this initiative.

Flex Fuel Vehicle (FFV) Sales Requirement

The Commonwealth should require that by date certain, a percentage of all new vehicles sold in the state are FFVs. Manufacturing vehicles to be flex-fuel is inexpensive ($35-$150 per vehicle), and automakers including GM, Ford, VW, Toyota and Honda already provide FFVs to the Brazilian auto market (81 percent of vehicles sold in Brazil were FFVs in November 2006). Also, making a vehicle flex-fuel does not interfere with emerging technologies. Senator Robert O'Leary currently has a bill filed in the Legislature (Senate Bill 2080) that would accomplish this goal, and could serve as a template for action.

These requirements should also be expanded to include conversion of existing fleets. We believe that incentives and requirements for biofuels should be developed for government contractors, especially school bus operators.

Establish a Fuel Performance Standard

A fuel performance standard is critical to any effort to seriously address fuel diversification in the Commonwealth. This can be achieved by using:

- Volume (renewable fuel standard) which is currently being considered. We believe the proposed biodiesel mandate for 5% biodiesel in home heating oil and diesel should be expanded to 10% to match the ethanol requirement.
- Carbon such as the low carbon fuel standard developed in California.
- Carbon Dioxide using the EPA's carbon dioxide analysis method.

The State should also develop considerations and criteria for sources of biofuels that address environmental impacts of production and social, economic, and sustainability issues. The food for fuel controversy is one of the arguments against biofuels we have encountered in our discussions as are practices such as cutting down rainforests to produce palm oil. The current bills that encourage cellulose based ethanol should be supported and similar measures considered for other biofuel sources such as algae, canola, soy, and jatropha. It is important, however, to not develop policies that hold alternative fuels to a higher standard than petroleum, and therefore hamstring a nascent industry.

The federal government recently strengthened the federal Renewable Fuel Standard. While this policy is extremely important, it does not guarantee fuel diversification in Massachusetts because the law provides flexibility to refiners and blenders as to where renewable fuels will be distributed in the country. If the state pursues a low carbon fuel standard, it is important that other fuel diversification steps be taken now, so that we do

not lose valuable time as the regulatory and administrative complexities of a new carbon standard are ultimately determined. A volumetric blending requirement implemented in the near-term can and should transition into a low carbon and/or carbon dioxide fuel standard.

Expand the Agricultural Preservation Restriction (APR) Program

The APR program has demonstrated successful land preservation and economic development across the Commonwealth. With enhanced program funding, and administrative preference given energy crops, farmers like those in Southeastern, MA who grow cranberries, could benefit economically, while the region profits from the use of locally grown fuel.

Develop Research Incentives for New Biofuel Production Options

Cape Cod and coastal Massachusetts are ideally suited for emerging sources of biofuel feedstock such as micro algae and fish waste. Engaging existing research organizations such as Woods Hole Oceanographic Institute and educational institutions for research and development on production techniques is an economic development opportunity. The oil yield per unit area of algae is estimated to be 5,000 to 20,000 gallons/acre/year (*A look back at the U.S. Department of Energy's Aquatic Species Program: Biodiesel from Algae*, United States Department of Energy, July 1998) compared to 50 gallons/acre/year for soybeans. This research should also include other emerging fuel options such as gaseous and liquid fuels from municipal solid waste and wastewater sludge.

Create Biofuel Production Tax Credits

Tax credits provide important incentives for local producers of biofuels who are reducing the state's dependence on foreign sources of petroleum, as they compete with the heavily subsidized oil industry. Producers from the Cape to the Berkshires would spur biofuel market growth in Massachusetts, thereby creating jobs and tax revenue, improving tailpipe emissions and air quality, and providing a market hedge against supply disruptions and pump price spikes. Importantly, production tax credits ensure that Massachusetts only pays for actual gallons produced after the alternative fuel production facility is built (significantly reducing state financial risk).

Senator O'Leary has authored a bill (Senate Bill 1775) that would provide a 15 cent per gallon tax credit to in-state biofuel producers. We encourage the Task Force to consider this policy option.

Streamline the Permitting Procedures for Renewable Fuel Retail Stations

Last, but not least, develop a waiver process or modify the State Implementation Plan (SIP) for attaining air quality standards to allow retail sales of ethanol (E85) and simplify the process for development of biofuels infrastructure.

- One member of the CCRFP has successfully obtained a waiver for the Stage II vapor recovery system required for his E85 fuel pumps and will be opening the first Massachusetts ethanol fueling station in March 2008. The waiver process was, to say the least, tedious and discouraging. A simplified waiver process is recommended by the EPA and is routine in other states.

- The Citgo station in North Truro, in cooperation with Cape Cod Oil and Loud Fuel, installed a biodiesel retail pump. Both state and local officials required extremely expensive separate facilities for the pump, including special barriers and other requirements. This made the project not only more expensive and difficult than a petroleum pump. Furthermore, the required location makes it difficult for the consumer to use.

Examples, such as these illustrate the root problem for bringing biofuels to the Massachusetts market. These hurdles are discouraging and put biofuels at a disadvantage compared to petroleum fuels. *Fundamental to encouraging the production and use of biofuels in Massachusetts is the promotion of retail sales.*

Thank you for the opportunity to comment on this critical area of energy policy. We would be happy to discuss any questions you have with the Task Force.

Sincerely,

Clay Schofield, P.E.
Cape Cod Commission
On behalf of the Cape Cod Renewable Fuels Partnership